



Business and Development
Specialists for Charter Schools

Larchmont Schools

Financial Update: 2012-13 Forecast

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Discussion Agenda

- 2012-2013
 - Context for school finance 2012-13: CA State Budget
 - Forecast Updates

2012-13 California Budget

The 2012-13 budget has been approved, but much uncertainty remains.

- There are two scenarios for K-12 funding, which depending on voter passage of tax increases.
 - If the tax measure passes, funding rates are expected to increase slightly from 11-12.
 - If the tax measure fails, funding rates will be reduced by approximately \$450/ADA.
- In addition to the uncertainty around what funding rates will be, there is also uncertainty around how schools will actually be funded.
 - If the taxes pass, schools will receive 21% of general purpose funding through the Education Protection Act, reducing the amount coming from revenue limit.
 - These funds would not be apportioned by the state until late June, essentially adding an additional deferral of 21% of revenue until after the school year is over.
- Other changes affecting charters include:
 - Elimination of \$2 billion in deferrals if tax measure passes (equal to roughly one month of funding).
 - Stabilization of revolving loan program and creation of other borrowing opportunities for charter schools

2012-13 California Budget

Regardless of taxes passing or not in November, 2012-13 will be the most difficult, in terms of cash flow, that charters have ever seen.

- If taxes pass, some of the existing deferrals are repaid, but the new funding system related to the Education Protection Act adds an additional 21% deferral.
- If taxes don't pass, all existing deferrals remain in place, and because the deferrals are dollar specific, the impact of the deferrals is magnified as total funding decreases.
- Whether or not taxes pass, the CDE is reducing the certified funding for the Advanced Apportionment in anticipation that the taxes will pass.
 - This reduces the amount of funding that schools get from the state in July – January.
 - If taxes pass, reductions will continue throughout the year and funds will be paid through the Education Protection Act in June.
 - If taxes fail, the revenue limit will be recalculated at P1 in February and the 21% that would have come from the Education Protection Act will be restored to the revenue limit, but we will also see a 9% reduction (~\$450 per ADA).

2012-13 California Budget

Fall funding has been reduced in anticipation that the taxes pass in the fall; spring cash flow will be very difficult in both scenarios

2012-13 State Deferral Schedule - Taxes Pass

	2012-13													2013-14		
	Advanced Apportionment Funding Period						P1 and P2 Funding Period							TOTAL	Jul	Aug
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun				
Standard Apportionment	5.00%	5.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	100.00%		
Weighted Apportionment Full Year	0.00%	1.58%	9.24%	3.33%	6.49%	6.49%	13.18%	4.39%	0.00%	3.56%	0.00%	27.27%	75.53%	17.41%	7.06%	
Percentage by Apportionment Period	0.00%	2.02%	12.73%	4.86%	9.00%	9.00%	17.38%	7.36%	0.00%	5.97%	0.00%	45.68%		29.16%	11.83%	
	First 55% of funding paid through advanced apportionment (July - January). Multiply these percentages by certified advanced							Percentage of Funding Coming in P1, P2 and Education Protection Act (February - August). Take P1 number minus any money from the advanced								

2012-13 State Deferral Schedule - Taxes Do Not Pass

	2012-13													2013-14		
	Advanced Apportionment Funding Period						P1 and P2 Funding Period							TOTAL	Jul	Aug
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun				
Standard Apportionment	5.00%	5.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	100.00%			
Weighted Apportionment Full Year	0.00%	1.72%	10.08%	3.63%	7.07%	7.07%	14.37%	2.62%	1.76%	7.08%	3.48%	0.00%	58.88%	25.04%	16.08%	
Percentage by Apportionment Period	0.00%	2.02%	12.73%	4.86%	9.00%	9.00%	17.38%	4.67%	3.14%	12.63%	6.21%	0.00%		44.67%	28.68%	
	First 55% of funding paid through advanced apportionment (July - January). Multiply these percentages by certified advanced							Percentage of Funding Coming in P1, P2 and Education Protection Act (February - August). Take P1 number minus any money from the advanced								

* The months listed for funding purposes are the months that the state releases the apportionment. Since apportionments are made at the end of the month and because there is typically a 7 to 21 day lag time for counties to process the payments and send to the school, funds will likely be received in the month after the actual listed apportionment month. The most important implication in all of this is that you can't count on a monthly apportionment to meet that month's payroll needs.

2012-13 CA Budget: Rate Projections

The Governor's Budget depends on voter-approved taxes to maintain current K-12 funding levels.

- **If taxes are approved in November 2012:**
 - **SSC's** analysis shows that voter-approved taxes would result in rates increasing above this year's.
 - **CCSA** is slightly more conservative at this point, and predicts funding levels stay flat.
- **If taxes are NOT approved:**
 - **SSC** estimates that the average school district reduction will be \$455/ADA, and applies that reduction across the board
 - **CCSA's** forecast is for cuts of \$428-518/ADA: 8.43% cut across the board.

Grade Level:	2011-12	SSC 2012-13		CCSA 2012-13		Approved Budgets
	(Cert. P-2)	w/ tax initiative passing	w/ trigger reduction	w/ tax initiative passing	w/ trigger reduction	
K-3	\$5,076	\$5,117	\$4,662	\$5,076	\$4,648	\$4,670
4-6	\$5,153	\$5,193	\$4,738	\$5,153	\$4,718	\$4,741
7-8	\$5,308	\$5,346	\$4,891	\$5,308	\$4,860	\$4,883
9-12	\$6,141	\$6,188	\$5,733	\$6,141	\$5,623	\$5,650

Updated forecast assumes taxes do not pass, uses SSC project rates, less \$455/ADA for 12-13 cuts.

12-13 Budget vs. Forecast

	2012/13	2012/13	2012/13	2012/13	Variance (Budget vs. Current Forecast) - LCW	Variance (Budget vs. Current Forecast) - LCS	Variance (Budget vs. Current Forecast) - NS	Variance (Budget vs. Current Forecast)
	Current Forecast - LCW	Current Forecast - LCS	Current Forecast - Network Support	Current Forecast				
SUMMARY								
Revenue								
General Block Grant	1,490,083	3,264,344	-	4,754,426	(1,825)	28,131	-	26,305
Federal Revenue	145,367	311,275	-	456,642	(1,380)	21,056	-	19,676
Other State Revenues	629,887	1,620,670	-	2,250,557	23,759	(122,854)	-	(99,095)
Local Revenues	194,425	194,989	-	389,414	-	-	-	-
Fundraising and Grants	541,080	867,400	224,500	1,632,980	-	4,750	-	4,750
Total Revenue	3,000,842	6,258,678	224,500	9,484,020	20,553	(68,917)	-	(48,364)
Expenses								
Compensation and Benefits	1,862,379	4,081,780	472,460	6,416,619	766	(16,748)	215	(15,767)
Books and Supplies	263,218	498,357	15,300	776,875	-	-	-	-
Services and Other Operating Expenditures	741,872	1,546,221	(263,260)	2,024,832	16,068	1,990	(215)	17,843
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenses	2,867,469	6,126,358	224,500	9,218,326	16,834	(14,758)	(0)	2,076
Operating Income (excluding Depreciation)	133,373	132,321	-	265,694	(37,387)	(83,675)	(0)	(121,062)
<i>Operating Income (including Depreciation)</i>	123,159	85,321	-	208,480				

Revenue forecast variances:

- Increased enrollment by 5 at LCS
- Title 12-13 entitlements (\$20k)
- SB 740 * (-\$123k)

Expense forecast variances:

- Some variances driven by changes in budget categories
- Savings in back office
- Increase in facilities expense

Revenue Variance: SB740

2011-12 Reimbursement	LCW	LCS	Total
Total Rent Expense	183,650.00	590,338.49	773,988.49
75% of Rent Expense	137,737.50	442,753.87	
750 per ADA (276.46, 571.4)	207,345.00	428,550.00	
Advance Received in 11-12	62,719.00	176,993.00	239,712.00
Remainder to be Received in 12-13	75,018.50	251,557.00	326,575.50

2012-13 FY Expectation	LCW	LCS	Total
Remainder to be Received in 12-13	75,018.50	251,557.00	326,575.50
12-13 Advance: 50% of Grant	73,001.25	253,342.13	326,343.38
Total	148,019.75	504,899.13	652,918.88
Approved Budget	131,100	644,595	775,695
Variance	16,919.75	(139,695.88)	(122,776.13)

* \$176k received in 11-12 was expected for 12-13 revenues.
 12-13 Revenue: lower projected amount on top of \$175k adjustment

2012-13 Budget Risk Factors

While projections are conservative, some variables might negatively impact the budget.

- Enrollment: maintaining a positive budget depends realizing enrollment and ADA targets.
- Funding Rates
 - Funding rates are subject to change.
 - Any further deterioration of CA's economy may have a negative impact on funding rates beyond the current projected cut of \$441 per ADA.
- Expenses: maintaining a cash cushion will be a challenge; mostly fixed costs in the budget.

- 12-13 budget vs. forecast detail

EXHIBITS